

ECONOMIC STUDY OF THE SEYCHELLES ISLANDS

- I Introduction
- II Review of the assets and liabilities of the Seychelles as of January, 1965.
- III General background for establishing a Frame of Reference.
- IV Problem areas and some suggested solutions.
- V Conclusions.

I Introduction: This report deals with the question: "What are the primary areas of interest for the introduction of outside private capital into the Seychelles economy, taking into account the Political, Economic, and Social Climate (hereafter called PE&SC) existing in the Colony at this time?"

The report was compiled by an American businessman who, in the course of a years travels, has been seeking evolving economies in which to invest growth capital. Prepared as a private document it was, therefore, financed personally - with no aid from the government or local private interests. Since several of the people who have supplied data requested a copy, it is being presented in a formal structure.

The final conclusion of this study is that because of the present PE&SC it is unlikely that investors will be interested in putting large amounts of capital into the Seychelles economy at this time. This is not to say that there does not exist opportunity for capital appreciation, only that before outside investors will be interested in the colony, certain changes in the PE&SC must be brought about. The study discusses problem areas and some solutions are offered.

- II Review of the assets and liabilities of the Seychelles as of January, 1965: The assets and liabilities are presented as a list of statements which cover those major areas personally contacted. Some, undoubtedly, have been overlooked and it is hoped that as these occur to the reader he will add them to his copy.
- (a) ASSETS
1. Natural resources, including: guano, timber, building materials, fish, shells, and soil for crop growth.
 2. Capital of over one-million pounds sterling - hard assets consisting of cash and investments - owned by Seychellois.
 3. Over five-million pounds sterling valuation of privately owned land located in the main group of islands.
 4. A copra Price Stabilization Fund of over Rs.3,500,000.
 5. An Agricultural Bank with over Rs.1,200,000 in assets.
 6. Postal Savings Bank deposits of Rs.2,400,000.
 7. Bank deposits of over Rs.6,000,000.
 8. The United Kingdom taxpayer who is subsidizing the colony with "free - no strings" funds. (1964 - over Rs.3,000,000.)
 9. Export trade (copra, cinnamon and vanilla) of Rs.9,000,000.
 10. A strong local currency backed 100% by the English pound.
 11. A system of tax collection and import-export duty assessment which raises a large portion (1964 - Rs.5,000,000) of the operating cost of government.
 12. A small group of retired settlers and pensioners who bring into the colony over Rs.500,000 per year (invisible export).
 13. Seychellois residing outside the colony who send in over Rs.500,000 per year (invisible export).
 14. Tracking station (U.S.A.) which in 1964 brought in over Rs.4,000,000 in dollars (invisible export) into the economy.
 15. Cable & Wireless Company which adds Rs.250,000 per year to the economy (invisible export).
 16. A small tourist industry with a few tourist attractions ("beaches", "goggling", "scenic beauty", and "unusual sights" - Coco de Mer, giant turtles, etc.) which brought over Rs.800,000 into the economy in 1964 (invisible export).
 17. Tea company, coir company and a construction company who are beginning to contribute to the economic development of the community.
 18. A strong, healthy and relatively unskilled labour force.
 19. A culturally uniform population, sharing in general the same language, customs, religion and values and who tend to think of themselves as Seychellois. (This is valid except for the small number of British, Indian, Chinese and other minority groups within the population.)
 20. A growing Agricultural Department.
 21. Tropical rainfall climate without the usual tropical diseases or catastrophic storm conditions.

This does not take into account side income such as:

- (a) Income from copra to SDC while lots are being paid for.
- (b) Rights or ground lease to restaurants, hotel, shops, petrol station, etc.
- (c) Profits from constructing the homes.

I have purposely not gone into detail concerning what happens as the settlers take possession of their land and build houses and hire people. As this happens the whole plan accelerates. What I have tried to establish is that even in the worst case, if no settlers actually come over to live on the land that they purchase, the SDC will have earnings with which to carry out further developments.

It is important therefore that this type of "land sale" or "land development" be restricted to SDC only, for if this type of land sale scheme was done by an individual or a "private" company, the profits would no doubt leave the Colony to be invested elsewhere.

After the first group of 2,400 lots have been sold, sales on the second group should begin.

Economic Problem

How to obtain full production from the land (both crops and livestock).

Solutions:

1. Establish an agricultural training college.
2. Establish vegetable gardens at all private and secondary schools to teach basics of home production. Follow-up with free seeds and prizes for largest tomatoes, pumpkins, etc.
3. Contact 4-H agricultural clubs in the U.S.A. and set up a local 4-H club in the Seychelles.
4. Teach animal husbandry in the secondary schools - prizes for highest laying chickens, heaviest pigs, etc.
5. Continue the land settlement schemes (but be sure that the money paid for the land stays in the Colony and "works.")
6. Expand the Agricultural Bank.
7. Put into effect motivating forces to encourage use of the available land.

Political Problem

Providing communication down to the "grass roots" of the population.

Solutions:

1. Expand social center program.
2. Expand the government publishing plant to include Multilith (offset) reproduction and silkscreen reproduction for low-cost, mass communication of written and illustrated material. (Such as: poster with diagram budget expenditure - a rupee divided into sections; cartoons showing what the government is trying to achieve, etc.)
3. Separate the information office from the tourist office. Concentrate on communicating the true facts and figures to the people.

(g) The true export excess of over Rs.2,000,000 does not appear to be reinvested in the economy, nor does it appear to be deposited in the local banks.⁺¹

(h) In addition to (g) above, over Rs.800,000 in cash left the Colony in 1964 through Post Office money orders, Travellers cheques non-commercial bank transfers, and to sellers of land and absentee part-owners of plantations.

(i) Contrary to public opinion, there is a True export excess over imports

Summarizing the foregoing: The present Rs.20,200,000 economy of the Seychelles is based on low yield agricultural exports which account for less than 50% of the total "true exports," with the balance coming from free gifts from British taxpayers and Seychellois (working and/or living abroad), a few settlers, tourists and pensioners in the Colony, an American tracking station, and a few firms such as Cable & Wireless, and French & Co. It contains a small, unskilled labour force and is located far away from large direct consumer markets. New capital generated by the economy does not appear to be staying in the economy. This type of economy does not tend to attract large amounts of investment capital.

Because of this last statement, the fundamental problem must be stated as follows:

Is it possible for the Seychelles economy to become truly self-supporting without gifts from the British government and without the introduction of large amounts of outside private capital - using only the existing "assets" and eliminating or neutralizing the existing "liabilities"?⁺²

This fundamental problem is made up of the interaction of many sub-problems of three types: (a) Political, (b) Economic, and (c) Psychological and Social.

I will not attempt to delineate all the subproblems and interactions, instead I will try to pinpoint a few problem areas and suggest possible solutions.

It will take a detailed evaluation to arrive at a "true" map of all the subproblems and their interactions, and it will take tremendous co-operation and sacrifice on the part of the people of the Seychelles to solve the fundamental problem and to achieve their goals.

+ 1 Barclays Bank had a 1963-64 deposit increase of approximately Rs.1,000,000, but the majority of these funds came from East African depositors. Part of this 1,000,000 excess might be accounted for by a difference in what was actually paid for and what was published as recorded imports for the 12 month period. (i.e. a large shipment received in Jan. '65, which was paid for in '64, unless offset by a shipment received

+ 2 To become self-supporting and at the same time to try to achieve the following sub-goals:

- 1) To lift the standard of living.
- 2) To provide a social security system aimed at guaranteeing a living wage, job security, equality of opportunity, unemployment compensation scheme, and old age benefits.
- 3) To place more responsibility for government in the hands of the people.

6. Although the external economy is based on Rs.20,000,000 of inputs and outputs (imports and exports), the internal economy is probably more than twice that amount. The price to consumers of the imports with ^{*freight, insurance,*} duty and merchants mark-up, is probably over Rs.25,000,000. Added to this, the value of rents, fish, locally grown food, timber, rock and other building materials, transportation, personal services, toddy and tobaccos - and the total goods and services available to the population would ^{*probably*} be over Rs.40,000,000. This figure and the internal dynamics of the movement of the money should be correctly established. ~~and~~ From this a realistic cost of living index ^{*could*} be made, as well as estimates of the magnitude of total taxable income.

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- (5) Everyone is able to tell you all the reasons why something won't work. No one can give you one reason why something will work.
- (6) Although there has been "intermingling" of the races, there still exists a strong class structure based on land ownership and lightness of skin color.
- (7) Millions of rupees of capital owned by "locals" are in P.O. Savings, copra Price Stabilization Fund, Bank deposits, and in foreign stocks and bonds. Most of which must be considered as "dormant" as far as the local economy is concerned.
- (8) There is at present no motivating force which compels all the people (planters, workers, students, every man, woman and child) to co-operate, to invest, to sacrifice and to work together for the common good of the community.

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It is suggested that since the yield to the economy in both rupees and employment is greater per rupees invested than any other scheme yet proposed, that this programme be pushed as soon and as strongly as possible.

Details of Plan I

It is proposed that SDC acquire options to purchase 1,000 acres of land in exchange for SDC convertible debentures.

Subdivision plans should be drawn up, including:

- (a) Residential areas (lots of 10,000 sq. ft. each).
- (b) Community beach area.
- (c) Hotel-restaurant area, club-house, activity rooms and shopping area.

A firm in London should be engaged to do advertising brochure and material for selling campaign. A full time SDC man should be stationed in London to coordinate the sales program. He should be paid a minimum salary and expenses, and have an incentive bonus based on lots sold. Ideally, you would want someone who knows the Seychelles and who has a good public relations background - someone like your present Director of Tourism would be an excellent choice for this position.

Lots should be sold for £360 each. (£5 per month until paid, no interest charges.)

The initial cost of land subdivision, organization expense and advertising and selling would be in the order of £50,000 the first year and £50,000 the second year. The plan would call for sales of 300 lots by the end of the first year, and 2,100 additional lots over the next three years. This should use about 600 acres of the residential area. Cash flow would be:

Initial costs £50,000 the 1st year and £50,000 the 2nd year.

| | | |
|------------------|-------------------------|--------------|
| Income 1st Year: | 50 lots x 5 x 6 mos. = | £1,500 |
| | 100 lots x 5 x 3 mos. = | 1,500 |
| | 200 lots x 5 x 1 mo. = | <u>1,000</u> |
| | | £4,000 |

| | | |
|------------------|--------------------------|--------------|
| Income 2nd Year: | 300 lots x 5 x 12 mos. = | £18,000 |
| | 200 lots x 5 x 8 mos. = | 8,000 |
| | 200 lots x 5 x 5 mos. = | 5,000 |
| | 200 lots x 5 x 2 mos. = | <u>2,000</u> |
| | | £33,000 |

The gross cash income developed over ten years should be in the order of:
600 acres (average 4 lots per acre) total 2,400 lots cut.

$$2,400 \text{ lots} \times £360 = £864,000$$

Total costs should be in the order of:

| | |
|------------------------|----------|
| 1st year | £ 50,000 |
| 2nd year | £ 50,000 |
| 3rd to 10th year | £200,000 |

| | |
|-------------------------------------|----------|
| Land cost (1,000 acres @ £150/acre) | £150,000 |
|-------------------------------------|----------|

| | |
|------------|----------|
| Total Cost | £450,000 |
|------------|----------|

| | |
|-------------------|-----------|
| Net Profit to SDC | £0.11,000 |
|-------------------|-----------|

As I have stated in the introduction, the final conclusion of this study is that because of the present PE&SC (Political, Economic and Social Climate), it is unlikely that investors will be interested in putting large amounts of capital into the Seychelles economy at this time.

However, this will probably turn out to have been a "blessing in disguise." Since the funds for development already exist "here and now" in the Seychelles, it is only a matter of setting up the Seychelles Development Corporation and going ahead with self development. This will mean that the rewards from development will not go to an outside investor - but instead will stay in the Colony to assist further growth.

For instance, if the SDC finances a pilot commercial fishing company, and builds a small fleet, ice-making facility and storage plant, then not only will it help the local populations food supply, but it will also provide the facts and figures as to what can be achieved on a full-scale basis. The Seychelles will then be in a position to grant a large foreign corporation the rights to build an industry here, because you will have demonstrated feasibility and will have facts and figures to back up your "talk". You will not only be able to motivate a firm to come but will be in a position to negotiate the "best deal" for the Seychelles.

But be cautioned: For any of your goals to be realized, the assets you have must be put to work. They will do the Seychelles little good sitting in a bank in London. And any new capital produced must, for the present, stay and work in the Colony. After your goals have been achieved is time for you to consider making foreign investments!

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April 2nd, 1965

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Background of D.B. Prell

From 1948-51: Lecturer in Statistics and Psychology,
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physically and emotionally healthy workers with average intelligence, it is possible to motivate them to work a productive work schedule if they are given supervision and a reasonable reward for their efforts.

THE FRAME OF REFERENCE

- (a) Assets and liabilities listed in Section II of this report.
- (b) The Interim Report of Burton Benedict: Socio-Anthropological Survey of the Seychelles (1960).
- (c) The report of J.W.F. Rowe: The Economy of the Seychelles and its Future Development (1959). With emphasis on Section I.
- (d) The following sections of the report by J. Inman and T.A. Phillips (1964):
 - (1) "In the circumstances prevailing in the Seychelles, where the population is growing fast and land is being underused, agricultural conditions cannot be left to laissez-faire. The government must intervene to see that all land is farmed up to the limit of its capacity, and that as many people as possible can gain a livelihood from it."
 - (2) Inman and Phillips feel that ... "Additional employment from the growth of economic activities other than agriculture is likely to be relatively small." They state that ... "The tourist trade, unless it is developed to many times its present size, would not make any substantial contribution."
 - "Some increased employment in building, domestic service, etc., would be given by the settlement of more retired persons, but numbers would not be very large, say 400-500 persons altogether."
 - (3) "For a territory to base its possibilities of economic survival on the emigration of the greater part of its population increase, is a policy which is extremely precarious and in the future the only way in which the Seychelles can achieve economic prosperity and security is by aiming at a population which is stable in size, even though this aim is bound to involve large mental and social readjustments."
 - (4) The summary and conclusions of the report.
- (e) Miscellaneous government reports including reports of revenue and expenditures, trade reports, development plans, population census (1960), report of income tax, tourism, cost of living, etc.
- (f) The following unproven and questionable generalizations:
 - (1) The political leadership is conservative and has a general resistance to change.
 - (2) There is at present a general flow away from the Colony of the majority of all surplus profits and capital gains made by the merchants, manufacturers, planters, landowners, and large wage earners.
 - (3) There is a general attitude of blaming "someone else" for both the Colony's and the individual's problems: "Blaming the government," "Blaming the civil servants," "Blaming the Americans at the tracking station," "Blaming Rene," "Blaming the merchants," "Blaming the workers," "Blaming the Grand Blancs," "Blaming the planters," "Blaming the Church," ... even "Blaming the gris-gris!"
 - (4) The government pays for economists and consultants to visit the Colony to make reports and recommendations. The complaints and criticisms concerning the reports are widespread, however the planters association, local chamber of commerce and local labour unions, have never called in their own paid consultant to make a report.

TABLE I(a) 1964 EXPORTS

| | |
|--|------------------|
| <u>Copra, cinnamon, guano, vanilla, etc.*</u> | Rs.8,660,000 |
| <u>Funds from Great Britain</u> | |
| CD & W | Rs.1,800,000 |
| Grants in aid | 950,000 |
| OSAS | <u>170,000</u> |
| | 2,920,000 |
| <u>Funds from U.S.A.</u> | |
| Tracking station personnel direct expenditures | 1,900,000 |
| PAA & Philco station direct expenditures | <u>2,600,000</u> |
| | 4,500,000 |
| <u>Tourists expenditures</u> | |
| (891 persons at Rs.966 each) | 860,000 |
| <u>Miscellaneous Funds from outside Seychelles</u> | |
| Roman Catholic Mission (from Switzerland) | 150,000 |
| British Admiralty Allotments (110) | 110,000 |
| War Office Allotments (180) | 180,000 |
| Southern Line allotments (50) | 200,000 |
| War Office pensions (34) | 35,000 |
| Royal Hospital Chelsea Pensioners (56) | 50,000 |
| Miscellaneous Pensions **(64) | 215,000 |
| Retired Settlers (48) | 370,000 |
| Cash (Post Office money orders, etc.) | 500,000 |
| Cash (non-commercial bank transfers from abroad) | 300,000 |
| Cable & Wireless (subsidy from U.K.) | 250,000 |
| Land purchases, overseas investors | 500,000 |
| Misc: French & Co., Nuffield, ship expenses, dividends & interest, commissions on exports and all others - | <u>400,000</u> |
| | <u>3,260,000</u> |
| TOTAL: All exports "visible" and "invisible" - | Rs.20,200,000 |

* Freight and insurance (on exports) of about Rs 800,000 is not included in this figure, as it is charged to the foreign buyer and paid out to external shipping and insurance firms.

** Nat. Insurance, Crown Agent, Commonwealth Relations Office, Colonial Office, Governments of Mauritius, Kenya, India, Uganda, Tanganyika, Singapore, S. Rhodesia, Union of S. Africa.

TABLE I

(b) 1964 IMPORTS

| | | |
|--|--------------------------|--------------------|
| <u>Landed value before duty</u> | <u>(c.i.f.)</u> | Rs.15,730,000 |
| <u>Additional Freight and Insurance on Exports</u> | <u>1m (estimated)***</u> | 830,000 |
| <u>Funds for travel outside of Seychelles</u> | | |
| Ship travel tickets | | 310,00 |
| Air travel tickets | | <u>350,000</u> |
| | less commissions | 40,000 |
| | Balance sent out | 620,000 |
| <u>Insurance Premiums to U.K.</u> | | |
| (less commissions and claims paid in Seychelles) | | 60,000 |
| <u>Pension and Allotment Funds sent out</u> | | |
| Seychelles pensioners overseas (26) | | 90,000 |
| Government officers home allotments (8) | | <u>50,000</u> |
| | | 140,000 |
| <u>Other Funds sent out of Seychelles</u> | | |
| Cash, Post Office money orders | | 350,000 |
| Cash, bank transfers (non-commercial) | | 170,000 |
| Cash from land sales transferred out | | 200,000 |
| Cash to outside shareholders of plantations | | 100,000 |
| <i>Travellers cheques Taken Out.</i> | | 300,000 |
| | | 820,000 |
| <u>Funds unaccounted for to balance excess of</u> | | |
| <u>Exports over Imports -</u> | | 1,700,000 |
| | TOTAL | 2,000,000 |
| | | Rs. 20,200,000 |

*** The value of some imports reported in the government Trade report does not include the cost of freight and insurance. It is felt that this estimated figure is more than adequate to cover the actual amount.

4. Encourage a wider use of the Carnegie Library through use of a mobile library with books which would be taken to the people. Visits could be made to the secondary schools in rotation so that the van would return to each location about once a week. (At present a total of only 1,000 adult library cards have been issued by the Carnegie library and its use is severely hampered by lack of "selling" the library and "circulating" the books. The teachers at locations other than Victoria would welcome a circulating mobile library - even for their own use.

Economic and Social Problem

How to overcome overpopulation problem.

- Solutions:
1. Immigration. (Also helps balance of payments because of funds sent in to families.)
 2. Free birth control clinic in Victoria.
 3. Mobile birth control clinic with visits to rural areas of Mahe and the other islands.
 4. Education concerning sterilization.

Miscellaneous Economic Problems relating to internal development

1. Laws must be enacted to allow for the mortgaging of property other than land and buildings. Until this is done not only will thousands of rupees of local capital be tied up but it will be very difficult to obtain loans from Barclays Bank for equipment, etc., to be purchased to outfit a tea factory, a fish cannery, and others.

2. Laws must be enacted improving the actual value of 1st Line Mortgages. As of now, because of the problems involved and the cost of defining actual title and/or boundaries, the banks are reluctant to provide large loans to assist land development.

3. Hire purchase laws should be ~~enacted~~ ^{considered}. At present, Seychelles is one of the few remaining underdeveloped countries without such laws.

4. Establish a capital gains tax to cover profits made on sale of securities, land and buildings. Maximum tax rate of 25% of the gain. In this way, when land which was bought at low prices is sold at high prices, a share of that appreciation will benefit the whole population. All funds collected from capital gains tax should be available as loans to the Seychelles Development Corporation. (See United States tax law for type of tax proposed.)

5. Expand the income tax department so that the actual amount due is actually collected. (The stated assessible income of ~~Rs.10,000,000~~ ^{is probably !!} must be grossly understated.)

A visitor to the Seychelles who is interested in the possibility of making large investments soon (either objectively or subjectively) compares the assets and liabilities and comes to the conclusion to invest elsewhere.

Others have also come to this conclusion. At this time much of the profits from the sale of land and exported items is invested outside the Colony.

It appears that we have the strange situation where the British taxpayers are pouring "free-no strings attached" funds into a colony which is producing capital capable of earning but which is instead pouring back a great proportion of these funds to private accounts outside of the Colony.

To support these statements I have constructed a balance of payments chart (Table I) comparing all exports and imports - both visible and invisible. I did not have the time or the information to construct a mathematical model of the economy but it is recommended that this should be done in the future in order to establish in detail, the figures in Table I and verify the cost of living index as well as having a basis for the enactment of realistic minimum wage laws, etc.

From the data in Table I, the following conclusions have been drawn:

- (a) Without the continuing infusion of funds from Britain, the economy would be in extreme imbalance, partly because of the actual cash deficit and partly because of the widespread unemployment which would result. (One out of every five, economically active persons, is employed by the Government.)
- (b) Although the expenditures of the tracking station are considerable and although most of the funds are used for imports, the positive impact of Rs.4,000,000 of cash directly infused into the economy is still considerable. (Import duties, employment of local people, rental of houses, purchase of local food products, etc.)
- (c) Retired settlers and pensioners probably contribute more to the economy for the land they occupy than any other single group.
- (d) Agricultural crops contribute the largest single amount to the economy. However, on a per acre basis they are one of the lowest contributors.
- (e) Although the tourist industry seems to be bringing in considerable revenue, its impact on the economy is deceptive because of the amount of these funds which go back out in the form of imports. Per Inman & Phillips (1964): it must be increased many times its present size before it makes a substantial contribution.
- (f) Money sent in from Seychellois outside the colony is appreciable. (Both through the banks and post office and also in the form of Admiralty and War Office allotments) and ways to stimulate its increase should be found.

22. Road system that is more than adequate.
 23. Growing educational system.
 24. Law and order.
 25. Several excellent libraries (Carnegie - 12,000 volumes and Seychelles College - 3,000 volumes) providing a nucleus upon which can be built a truly adequate and useful book reserve.
 26. Excellent medical facilities.
 27. An embryonic information-dissemination network consisting of a broadcasting station, information office and four local newspapers which directly reach about one/tenth of the population.
 28. Male population with interests in fishing and a female population with interests in childcare and sewing.
 29. Excellent telegraphic communication with the outside world.
 30. Weekly seaplane service to Mombasa (which assists communication).
 31. An intelligent, educated group within the community, capable of directing the political, economic and social development of the colony. (In fact, the number of people in this group in relation to total population is much higher than in most developing countries).
 32. Growing social and political unrest which is accelerating the realization that changes are necessary for growth and development.
 33. A strong and interested Roman Catholic Mission.
 34. A hard-working and interested Anglican Church.
 35. Well organized central civil administration.
 36. A growing co-operative movement with efficient and dynamic leadership.
 37. An embryonic Building Society.
 38. A small commercial and financial centre which includes importers and exporters, two banks, several insurance agents, wholesale and retail merchants, shipping and travel agents, attorneys and other small businessmen.
 39. Detailed contour maps and stereo aerial photographs of Mahe.
 40. The Seychelles external affairs and national defense are looked after and paid for by the United Kingdom.
- A government owned power generator + electrical distribution system**
- b) LIABILITIES**
1. A one-crop agricultural economy associated with a non-agriculturally-oriented population.
 2. Overpopulation with inadequate methods for controlling the rate of population growth.
 3. Lack of "local investment" by many of those in the community who own the major assets.
 4. The remoteness of the islands to areas where there are large consumer populations and markets.
 5. Physical isolation from and poor communications with the outside world - and between the various islands of the Seychelles.
 6. Set of negative attitudes and personality traits which have been adopted by the mass of the population and which tend to discourage the development of a highly productive labour force.
 7. A general attitude of "defeatism" in all levels of the population which has discouraged local development, investment and growth.

8. Lack of rapport between administrators and the people. Many of the government officials, educated "newcomers," and church officials do not understand the customs, values and family relationships of the mass of Seychellois population - and vice versa
9. Growing social and political unrest which is unsettling economic growth and internal investment.
10. A long history of dependence on others and lack of local autonomy among the mass of the population which is acting as a "brake" on self-development.
11. ^{overl.} Lack of organized lines of communications which reach down to the "grass roots" of the population.
12. Lack of inventiveness or originality within the population.
13. A general lack of understanding that achievement of a self supporting economy requires: capital investment in areas which are regenerative (i.e. that reproduce the original capital) rather than asking for "hand outs" or "grants in aid."
14. General standard of living which is very little above what is a reasonable physical subsistence level.
15. The main assets are not being productively utilized up to their capacity.
16. Lack of large-scale, efficient fuel or frozen food storage facilities.
17. Lack of a quick-freeze plant or large scale ice-making plant.
18. Lack of a local economic development group.
19. Poor port facilities.
20. Not enough of the arable land is producing up to its capacity.
21. Too much food is being imported, not enough locally grown.
22. Lack of adequate housing for the mass of the population.
23. An enervating climate.
24. Lack of an agricultural training college.
25. Lack of "agricultural" or "land" orientation or interest on the part of the teenage children.
26. No consumers co-operative for those who can deal on a cash or short-term credit basis.
27. Lack of library facilities in areas other than Victoria.
28. Lack of a local "professional" fishing fleet.
29. Too many amateurs in the local hotel industry.
30. Lack of a "professional" cattle or poultry industry.
31. Lack of leadership of the affluent class in establishing or encouraging local music, dancing and other cultural values.
32. Lack of a public "Vauxhall Gardens" - type park (benches, rides, music, "fun and laughter") in the Victoria area.
33. Lack of an active redevelopment plan for the town of Victoria.
34. Lack of involvement on the part of the mass of the population in building social centers, improving their community through community projects. Simply stated: improving their country - J.F. Kennedy's, "Ask not what your country can do for you; ask instead what you can do for your country."
35. Many land and commercial laws need changing or implementing as some of the present ones discourage the investment of capital. (Examples: pledge of assets for loans, no hire purchase laws.)

Available from the government are a wealth of reports and statistics which can be used to gain a clear and comprehensive frame of reference covering the geography, agriculture, economics, population trends, climate and administration of the Seychelles. More difficult to obtain is a frame of reference covering the more complex subjects such as: human motivation, subtle "brakes" on the economy, importance of interpersonal relationships, internal dynamics of the economy, etc.

Prell's Law Of Pettiness states that: "There is an inverse relationship between the size of the population of a country and the importance of specific interpersonal relationships." i.e. The smaller the country, the more magnified are individual interpersonal relationships. Therefore, in the Seychelles, the small population makes "interpersonal relationships" one of the key variables in any analysis or understanding of the political, economic and social climate.

In setting a frame of reference, much weight must be placed on the positive and negative aspects of these interpersonal relationships. More will be said about this subject later in this report.

In collecting information for a frame of reference the most repeated phrase heard was, "The real problem here is that the people won't work." I was, however, unable to find facts to support this statement and on the contrary, I found much evidence to refute it.

- (a) The 1960 census reported 6,122 females employed in the colony. Considering that they worked a five-hour day to complete their tasks and then returned home to their maternal and other household duties, it must be concluded that this group of employed people work a very full day.
- (b) According to Rowe (1959) ... "It is true that the ordinary daily task of the labourers on estates is accomplished between about 6.30 and 11.30 a.m. It is also true that many of these workers do not normally want to work longer hours even if the chance is offered them, but it is also true that commonly, no such offer is made." ... Since we have no reliable statistics on how often extra work is offered or turned down we have no data on which to conclude that the people don't want to work.
- (c) An enervating climate such as found in the Seychelles tends to slow everyone down after 12.00 noon - plantation owners, office workers and labourers alike (especially when some have a diet barely above the subsistence level).
- (d) I have found no reports which survey incentive or motivation type experiments which have been conducted with the aim of increasing the number of hours of work performed, increased productivity, decreased absenteeism, etc. Therefore, as part of the frame of reference, I have had to conclude that given

Establish the Seychelles Development Corporation (SDC), financed one-half by the government and one-half through local private capital. The governments money could come from debentures given in exchange for land purchased for use in the land settlement program, and from non-priority projects which could easily be set back one year. The private funds could come from local investors who "have" the money and the "ability" to invest but must be motivated to put their funds to work for the Seychelles economy, by offering them tax concessions and appealing to their "patriotic-duty." Funds from copra Price Stabilization Fund could be loaned to SDC.

The purpose of the Corporation would be to further economic growth other than agricultural development, which is provided by the Agricultural Bank. The SDC would involve itself in two types of projects. 1) Those which the SDC launches itself and carries through with its own management and funds. 2) Those which the SDC considers of value to the Colony and to which the SDC is willing to make loans. In this second type of project the SDC would take warrants for a percentage of stock ownership. The percentage would be based on: risk, ratio of investors capital to SDC loan, loan security, and upside leverage or potential gain.

An example of development will be discussed to demonstrate the feasibility of the overall plan:

Seychelles Development Corporation - Plan I - Seychelles Retirement Community

One of the largest exports (see Table I), taking into account land utilization, is the "group of pensioners and retired settlers." Figures show that there were, in January, 1965, a total of 112 pensioners and settlers bringing into the Colony a total of Rs.585,000, or an average of over Rs.5,000 per family per year. These figures do not include the funds spent for purchase of home sites or of constructing homes. It is apparent that the settlement of an additional two-thousand or more retired families would not only add greatly to the invisible export figure ($2,000 \times \text{Rs.}5,000 = \text{Rs.}10,000,000$) but would also create many new jobs.

The number of skilled mechanics and unskilled people needed to service a community of two-thousand would be over four-thousand (one per family direct and one per family indirect). This would include cooks, housekeepers, gardeners, plumbers, electricians, automobile mechanics, etc. You will note that I have disagreed with the report of Inman and Phillips (1964), where they have said that the number of people employed in connection with the settlement of more retired people would not be very large. I believe they considered only a few hundred additional settlers coming in with no systematic plan to attract them.

36. Lack of enough staff in the income tax department to see that the full amount of tax is paid.
37. Lack of motivating forces which would encourage greater productivity from the arable land.
38. A general lack of understanding of the contribution made by the British Government to the health and welfare of the people of the Seychelles.
39. Lack of a national language, universally spoken by the Seychellois and at the same time understood widely throughout the rest of the world. (Creole, although universally spoken within the islands, is not spoken or understood by any large population elsewhere.)

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